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Prime Minister.

Qz.03613

MR COLES *AC 1/3*

PRIME MINISTER'S MEETING WITH MR LUBBERS, 2 MARCH: THE
POST-STUTTGART NEGOTIATIONS

The Prime Minister will be aware that the French are making considerable efforts to persuade the Germans that Germany should satisfy itself with more effective control of Community spending and not therefore insist on a limit on its own net contribution. On the other hand, we have always had understanding for the German position, and at his meeting with the Prime Minister on 28 February Chancellor Kohl repeated that he needed a limit. In view of the fact that the Dutch are particularly resistant to financing any relief for Germany, however, I would recommend that, if Mr Lubbers raises this point, the Prime Minister should recognise the Dutch concern and say only that -

(1) she understands that Germany has not gone back on its request that the revised financing system should include some limit on the German contribution;

(2) it is quite feasible to construct the budget correcting system in such a way as to limit the United Kingdom's contribution to about 450-500 million ecu (net contribution after adjustment, on the basis of 1982 figures and using the relative prosperity of a Community of 12) and to leave a high limit for Germany with little or no operational effect.

2. I am sending copies to Roger Bone (FCO), John Kerr (Treasury) and to Sir Robert Armstrong.

D F Williamson

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1 March 1984

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